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ALCONA PARK  
ALCONA COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2007

## I\_N\_D\_E\_X

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September 29, 2008

Independent Auditors' Report

Board of Commissioners  
Alcona Park  
Alcona County, Michigan

We have audited the accompanying financial statements of the business-type activities of the Alcona Park, Alcona County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Alcona Park's basic financial statements, as listed in the index. These financial statements are the responsibility of the Alcona Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the financial statements referred to in the first paragraph do not include property, plant and equipment acquired prior to January 1, 1995 and the related accumulated depreciation and depreciation expense. These amounts should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities of the Alcona Park, Alcona County, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the Alcona Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**ALCONA PARK**  
**2550 S. AUSABLE ROAD**  
**GLENNIE, MI 48737**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the **Alcona Park**, (the Park) we offer readers of the Alcona Park's financial statements this narrative overview and analysis of the financial activities of the Alcona Park for the fiscal year ended December 31, 2007. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

**Financial Highlights**

- The Park's assets exceeded its liabilities by \$757,988 (*net assets*) for the fiscal year reported. Of this amount, \$286,606 (*unrestricted net, assets*) represents the portion available for spending.
- The Park's total net assets increased by \$40,530 or 5.6% over the course of the year's operations.

**Overview of the Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the Park. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**Required Financial Statements**

The financial statements of the Park report information of the Park using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the Park's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Park creditors (liabilities). It also provides the basis for evaluating the capital structure of the Park and assessing the liquidity and financial flexibility of the Park.

All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Assets. This statement measures the success of the Park's operations over the past year and can be used to determine whether the Park has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

## Notes to Financial Statements

The accompanying notes to financial statements provide information essential to a full understanding of the financial statements.

### Analysis of Financial Position:

One of the most important questions asked about the Park's finances is "Is the Park as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Park's activities in a way that will help answer this question. These two statements report the net assets of the Park and the changes in them. One can think of the Park's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the Park's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

### Summary of Net Assets:

The following summarizes the net assets of the Alcona Park at December 31, 2007:

<u>Net Assets Summary</u>	
Current Assets	\$ 303,291
Capital Assets – net	<u>471,382</u>
<b>Total Assets</b>	<u><b>774,673</b></u>
Current Liabilities	<u>16,685</u>
<b>Net Assets</b>	
Invested in Capital Assets	471,382
Unrestricted	<u>286,606</u>
<b>Total Net Assets</b>	<u><b>\$ 757,988</b></u>

### Capital Assets

The Park's investment in capital assets as of December 31, 2007, amounted to \$471,382 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings and improvements, and machinery and equipment. Capital assets for the Park increased by \$75,327, mainly due to the purchase of a backhoe for \$49,500 and a skidster trailer for \$15,000. Total depreciation expense for this year amounts to \$51,476 with ending accumulated depreciation being \$355,847.

### Capital Assets Summary (Net of depreciation)

Land improvements	\$ 105,631
Buildings, improvements and docks	270,385
Machinery and equipment	<u>95,366</u>
<b>Capital Assets - net</b>	<u><b>\$ 471,382</b></u>

**Summary of Revenues and Expenses:**

Operating revenue	\$ 442,812
Non operating revenue	<u>8,273</u>
Total revenue	<u>451,085</u>
Depreciation expense	51,476
Other operating expense	<u>359,079</u>
Total expenses	<u>410,555</u>
Change in net assets	40,530
Net assets – beginning of year	<u>717,458</u>
Net assets – end of year	<u>\$ 757,988</u>

**Economic Factors and Next Year's Budget and Rates**

The Alcona Park staff works together to maintain revenue sources and control expenditures. The majority of revenues are derived from camping rates paid by customers of the Park.

The most significant expense is employee related costs. The remaining portion of the budget is prioritized and divided into the operating expense categories such as supplies and services, utilities, maintenance, and capital improvements. Depreciation continues to be the Park's largest non-monetary operating expense.

The Alcona Park staff will continue to monitor revenues and expenditures due to ongoing economic conditions.

The state of the economy and the increase in the price of fuel will be the major deciding factors in the success or failure of the Alcona Park in fiscal year 2008.

**Requests for Information**

This financial report is designed to provide a general overview of the Alcona Park finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Alcona Park, 2550 South AuSable Road, Glennie, Michigan 48737.

ALCONA PARK  
Alcona County, Michigan

STATEMENT OF NET ASSETS  
December 31, 2007

Assets

Current Assets:

Cash and Cash Equivalents (Note 3)	\$ 140,820
Investments (Note 3)	158,881
Receivables:	
Other	<u>3,590</u>
Total Current Assets	<u>303,291</u>

Noncurrent Assets:

Capital Assets, Net (Note 4)	<u>471,382</u>
Total Assets	<u>774,673</u>

Liabilities

Current Liabilities:

Deferred Revenue (Note 5)	<u>16,685</u>
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Net Assets

Invested in Capital Assets	471,382
Unrestricted	<u>286,606</u>
Total Net Assets	<u>\$ 757,988</u>

The accompanying notes to financial statements are an integral part of this statement.

ALCONA PARK  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended December 31, 2007

Operating Revenue

Camping Fees	\$ 394,254
Shower Fees	7,441
Store Sales	37,099
Other Revenue	4,018
Total Operating Revenue	<u>442,812</u>

Operating Expenses

Salaries and Wages	158,448
Payroll Taxes and Employee Benefits	50,373
Administrative Costs	600
Contractual Services	1,470
Depreciation	51,476
Dust Control	3,800
Gasoline and Oil	13,483
Insurance and Bonds	17,787
Office Supplies	10,761
Printing and Advertising	3,292
Property Taxes	5,307
Rent	2,400
Repair and Maintenance	29,801
Store Supplies	24,538
Janitorial Supplies	4,597
Small Tools	1,648
Telephone	1,672
Travel and Training	149
Uniforms	855
Utilities	26,579
Other	1,519
Total Operating Expenses	<u>410,555</u>

Operating Income	<u>32,257</u>
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Nonoperating Revenue

Interest and Investment Earnings	7,853
Gain on Sale of Capital Assets	420
Total Nonoperating Revenue	<u>8,273</u>

Change in Net Assets	40,530
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Net Assets - Beginning of Year	<u>717,458</u>
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Net Assets - End of Year	<u>\$ 757,988</u>
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The accompanying notes to financial statements are an integral part of this statement.



ALCONA PARK  
Alcona County, Michigan

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2007

Cash Flows From Operating Activities

Receipts From Customers	\$ 441,135
Payments to Suppliers for Goods and Services	(200,631)
Payments to Employees for Services	<u>(158,448)</u>
Net Cash Provided by Operating Activities	<u>82,056</u>

Cash Flows From Capital and Related Financing Activities

Proceeds from the Sale of Capital Assets	5,700
Acquisition and Construction of Capital Assets	<u>(84,993)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(79,293)</u>

Cash Flows From Investing Activities

Interest on Investments	<u>3,948</u>
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Net Increase in Cash and Cash Equivalents 6,711

Cash and Cash Equivalents at Beginning of Year (Note 1) 134,109

Cash and Cash Equivalents at End of Year (Note 1) \$ 140,820

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 32,257
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	51,476
Change in Assets and Liabilities:	
Deferred Revenue	<u>(1,677)</u>

Net Cash Provided by Operating Activities \$ 82,056

The accompanying notes to financial statements are an integral part of this statement.

ALCONA PARK  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Alcona Park (Park) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Park Operations and Fund Types

The Alcona Park operates as an enterprise fund and is shown as a blended component unit in the Township of Curtis' financial statements. The basic financial statements of the Alcona Park have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Park applies all relevant Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, that apply to all proprietary fund type activities, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. All activities over which the Park exercises oversight responsibility have been included in the reporting entity.

Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Fund Accounting

The Alcona Park uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Alcona Park's Enterprise Fund reports operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

C. Basis of Presentation

The Alcona Park's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. Government wide financial statements report information about the Park as a whole. The Park has only one fund which is business-type in nature, so the financial statements present one set of statements that meets both the government-wide and fund requirements.

A statement of net assets provides information about the assets, liabilities, and net assets of the Alcona Park at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy Alcona Park obligations. Invested in capital assets represents the value of capital assets, net of accumulated depreciation. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operation purposes.

ALCONA PARK  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

A statement of revenue, expenses and changes in net assets provides information about the Alcona Park's financial activities during the year ended December 31, 2007. Revenue and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions. Operating revenues and expenses generally result from providing the use of camping and park facilities. Operating expenses include the cost of maintaining camping and park facilities, administrative expenses and depreciation on capital assets.

A statement of cash flows provides information about the Parks's sources and uses of cash and cash equivalents during the year ended December 31, 2007. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

D. Measurement Focus

The term measurement focus is used to denote what is being measured and reported in the Alcona Park's operating statement. The Alcona Park is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Alcona Park is better off or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Alcona Park's operating statement. The Alcona Park uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

E. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Park are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

F. Receivables

Receivables generally consist of accounts (fees) and other items. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at December 31, 2007 was \$0.

ALCONA PARK  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Capital assets are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful life of the assets.

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The Alcona Park eliminates the cost and related allowances from the accounts for assets sold or retired and resulting gains or losses there from are included in operations concurrently. Donated fixed assets are recorded at their fair market values as of the date received.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Park or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Park's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Park, these revenues are charges mainly for camping fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended December 31, 2007.

K. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - INCOMPLETE FUND

The Alcona Park did not maintain records for property, plant and equipment acquired prior to January 1, 1995 and the related accumulated depreciation and depreciation expense. Therefore, these balances have not been included in the financial statements.

ALCONA PARK  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Park's deposits and investments were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents	\$ 140,820
Investments	<u>158,881</u>
Total	\$ <u>299,701</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 299,251
Petty Cash	<u>450</u>
Total	\$ <u>299,701</u>

Interest Rate Risk

In accordance with its investment policy, the Park will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Park's known cash requirements.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Park's deposits may not be returned to it. As of December 31, 2007, \$20,598 of the Park's bank balance of \$301,552 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

The Park will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Park's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Park's investment policy does not address foreign currency risk.

Investments

The Park Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Park to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States

ALCONA PARK  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- λ Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- λ Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Park's deposits and investments are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital asset activity follows:

	Balance 01/01/07	Additions	Deletions	Balance 12/31/07
Land Improvements	\$ 154,060	\$ 9,378	\$ 0	\$ 163,438
Buildings and Improvements	430,417	0	0	430,417
Machinery and Equipment	<u>167,425</u>	<u>72,025</u>	<u>(6,076)</u>	<u>233,374</u>
Subtotal	<u>751,902</u>	<u>81,403</u>	<u>(6,076)</u>	<u>827,229</u>
Less Accumulated Depreciation for:				
Land Improvements	(49,830)	(7,977)	0	(57,807)
Buildings and Improvements	(138,511)	(21,521)	0	(160,032)
Machinery and Equipment	<u>(116,826)</u>	<u>(21,978)</u>	<u>796</u>	<u>(138,008)</u>
Subtotal	<u>(305,167)</u>	<u>(51,476)</u>	<u>796</u>	<u>(355,847)</u>
Net property, plant and equipment	<u>\$ 446,735</u>	<u>\$ 29,927</u>	<u>\$ (5,280)</u>	<u>\$ 471,382</u>

The Alcona Park's fixed assets are stated at cost. Depreciation is calculated using the straight line basis at rates ranging from 1.3% to 20% per year. The estimated useful lives are as follows:

Land improvements	20 years
Buildings and improvements	20 years
Machinery and equipment	5 - 7 years

NOTE 5 - DEFERRED REVENUE

Deferred revenue represents prepaid camping fees to be recognized in the following fiscal year.

ALCONA PARK  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 6 - OPERATING LEASE

On May 1, 1997, the Alcona Park entered into a lease agreement with Consumers Energy for the rental of the tract of land that includes camping areas on both sides of the AuSable River on Alcona Pond. The lease is for a period of 15 years at an amount of \$2,400 per year, based on expenses lessor expects to incur in administering the terms of the lease. In addition, Alcona Park shall pay all taxes, assessments and other public charges levied on the premises during each year that the lease is in effect.

NOTE 7 - RISK MANAGEMENT

The Park is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters. The Park has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



*Stephenson, Gracik & Co., P.C.*  
Certified Public Accountants & Consultants

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Kyle E. Troyer, CPA  
Herman A. Bertufen

September 29, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Alcona Park  
Alcona County, Michigan

We have audited the financial statements of the the business-type activities of the Alcona Park, Alcona County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Alcona Park's basic financial statements and have issued our report thereon dated September 29, 2008. In our report dated September 29, 2008, our opinion was qualified because the financial statements do not include property, plant and equipment acquired prior to January 1, 1995, and the related accumulated depreciation and depreciation expense. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Alcona Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alcona Park's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alcona Park's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Alcona Park's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Alcona Park's financial statements that is more than inconsequential will not be prevented or detected by the Alcona Park's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statement Preparation

The Alcona Park prepares various financial information throughout the year to assess operations and the financial condition of the Park. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Park relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.



# Stephenson, Gracik & Co., P.C.

Board of Commissioners  
Alcona Park  
September 29, 2008

The Alcona Park has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Park is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Park would not be in a position to detect the errors or omissions.

## Separation of Duties in the Performance of Functions

The present system of internal accounting controls does not provide for separation of duties in the performance of functions. In our opinion, the system is adequate to account for the financial activity of the Park but could be strengthened by a few minor changes in the personnel assigned to perform certain functions.

We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without authority to sign checks, without access to noncash accounting records and not involved in reconciling bank accounts. To minimize the above deficiency, the Township Treasurer prepares reconciliations and all checks require dual signatures by a board member or other designated person.

## Camper Revenue Monitoring

The Alcona Park cash and revenue receipting process was reviewed as part of the current year risk assessment procedures and it appears that there are controls in place to account for the daily activity. However, there is no tracking of the number of campers and/or camper days to be able to monitor or test the reasonableness of income for camping fees during the year. We recommend that the Park management develop a daily process for documenting the number of campers and camp days by specific rate or site category. In addition we recommend that a monthly report, for presentation to the Board, be prepared summarizing the number of campers, the number of camper days, and the amount of camper fees collected for the current month as well as year to date. This report will not only provide the Park Board with information to help monitor camper activity on a monthly basis, but will also provide a means of reconciling back to the general ledger activity.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Alcona Park's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alcona Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the Alcona Park in a separate letter dated September 29, 2008.

View of Responsible Officials and Planned Corrective Actions:

# Stephenson, Gravit & Co., P.C.

Board of Commissioners  
Alcona Park  
September 29, 2008

## Financial Statement Presentation

The Park has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Park to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

## Separation of Duties in the Performance of Functions

The Park Manager will review the current duties and analyze possible areas for changes in functions performed by specific individuals in order to strengthen internal control.

## Camper Revenue Monitoring

The Park will look into the capabilities of its current camper registration software to help develop a system of tracking the number of campers and/or camper days.

The Alcona Park's response to the findings identified in our audit are described above. We did not audit the Alcona Park's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gravit & Co., P.C.*





*Stephenson, Gracik & Co., P.C.*  
Certified Public Accountants & Consultants

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Herman A. Benlent

September 29, 2008

Board of Commissioners  
Alcona Park  
Alcona County, Michigan

Dear Board Members:

We have audited the financial statements of the the business-type activities of the Alcona Park for the year ended December 31, 2007, and have issued our report thereon dated September 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Alcona Park. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Alcona Park's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 10, 2008 and in our meeting about planning matters on June 18, 2008.

Significant Audit Findings

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Alcona Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Board of Commissioners  
Alcona Park  
September 29, 2008  
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#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit adjustments, which include material misstatements detected as a result of audit procedures, were provided to and corrected by management.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

#### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the Alcona Park for the year ended December 31, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. As a result of our consideration of the internal controls and tests of compliance as described in the third and fourth paragraphs, we offer the following recommendations for consideration.



# Stephenson, Gravit & Co., P.C.

Board of Commissioners  
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## Financial Statement Preparation

The Alcona Park prepares various financial information throughout the year to assess operations and the financial condition of the Park. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Park relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The Alcona Park has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Park is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Park would not be in a position to detect the errors or omissions.

## Separation of Duties in the Performance of Functions

The present system of internal accounting controls does not provide for separation of duties in the performance of functions. In our opinion, the system is adequate to account for the financial activity of the Park but could be strengthened by a few minor changes in the personnel assigned to perform certain functions.

We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without authority to sign checks, without access to noncash accounting records and not involved in reconciling bank accounts. To minimize the above deficiency, the Township Treasurer prepares reconciliations and all checks require dual signatures by a board member or other designated person.

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The Alcona Park cash and revenue receipting process was reviewed as part of the current year risk assessment procedures and it appears that there are controls in place to account for the daily activity. However, there is no tracking of the number of campers and/or camper days to be able to monitor or test the reasonableness of income for camping fees during the year. We recommend that the Park management develop a daily process for documenting the number of campers and camp days by specific rate or site category. In addition we recommend that a monthly report, for presentation to the Board, be prepared summarizing the number of campers, the number of camper days, and the amount of camper fees collected for the current month as well as year to date. This report will not only provide the Park Board with information to help monitor camper activity on a monthly basis, but will also provide a means of reconciling back to the general ledger activity.

## Enterprise Fund Fixed Assets

We recommend the Alcona Park compile an inventory of fixed assets acquired or constructed prior to January 1, 1995 that are still in existence at the Park, so that these assets can be incorporated into the balances being carried on the financial statements in the future.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of Alcona Park.

This information is intended solely for the use of management, the Board of Commissioners, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gravit & Co., P.C.*